



United States
General Accounting Office
Washington, D.C. 20548

Resources, Community, and
Economic Development Division

B-277730

September 18, 1997

The Honorable Carl Levin
United States Senate

Subject: Transportation Infrastructure: Estimated State Funding Under the
Transportation Empowerment Act

Dear Senator Levin:

As you requested, we are providing the results of our analysis of what obligation authority the states might receive for highway programs under S.667, the proposed Transportation Empowerment Act (TEA-2). On April 23, 1997, you requested that we estimate a state-by-state breakdown of obligation authority, using the same assumptions as in our February 11, 1997, report on an earlier proposed version of TEA-2 for Senator Mack and Congressman Kasich.¹ The most critical of the assumptions inherent in TEA-2 is that all states would dedicate sufficient funds to offset the reduction in the federal funds they would receive after federal fuel excise taxes are reduced in fiscal year 2002. As our work progressed, we identified three technical changes to TEA-2 that are necessary if the proposed legislation is to achieve its goal of a zero budget effect. As agreed with your office, we made our TEA-2 estimates as though those changes had been incorporated; therefore, total highway outlays equal total highway excise taxes in each year.

The results of our analysis, and the accompanying assumptions and technical changes, are presented in enclosure I. Notes to enclosure I clarify the components of the Core Program—the remaining federal highway programs administered by the Federal Highway Administration (FHWA)—and the estimates of potential state obligations and state funds. We have also provided, as enclosure II, the revenue and outlay estimates underlying our

¹Transportation Infrastructure: Estimated Funding Under the Transportation Empowerment Act (GAO/RCED-97-73R, Feb. 11, 1997).

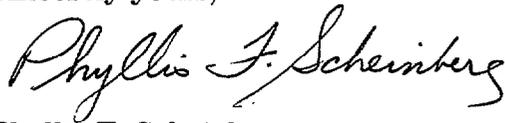
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analysis, the budget effect of TEA-2 as revised by the technical changes, and the calculation of the potential state obligations that could be supported by dedicated state funds and federal grants under TEA-2.

We provided FHWA with draft copies of our analysis for review and comment. In comments on our analysis, the Director of FHWA's Office of Budget and Finance agreed with the reasonableness of the analysis' approach and the appropriateness of the data used. FHWA acknowledged that our estimates agreed with those of FHWA for the Core Program but differed for the remainder of TEA-2. These differences arose because FHWA did not estimate the Infrastructure Special Assistance Fund and because FHWA used different assumptions about the return of excess tax receipts to the states, both of which resulted in lower estimates of potential state obligations.

We performed our work from April 1997 through September 1997. In doing so, we coordinated our efforts with the Congressional Budget Office (CBO), and our estimates conform to CBO's January baseline budget forecast. Please call me at (202) 512-3650 if you have any questions. Contributors to this report were Ron Stouffer, SaraAnn Moessbauer, and Mark Dayton.

Sincerely yours,



Phyllis F. Scheinberg
Associate Director, Transportation Issues

Enclosures - 2

ESTIMATED STATE OBLIGATIONS UNDER TEA-2 LEGISLATION--FY1998-2002

(Thousands of Dollars)

States	Core Program					Subtotal	Potential	TOTAL	Estimated Funds Available To The States
	Interstate Maintenance	Interstate Bridge	Metro Planning	Safety 402/403	Motor Carrier Safety Grants		State Obligations		
Alabama	565,563	89,935	3,442	14,084	9,415	682,437	2,120,817	2,803,254	1,450,559
Alaska	308,814	29,108	1,572	4,054	1,798	345,345	244,775	590,120	167,417
Arizona	424,037	14,759	4,968	11,283	6,107	461,154	1,652,817	2,113,971	1,130,465
Arkansas	340,567	60,579	1,572	9,331	5,075	417,124	1,376,554	1,793,678	941,511
California	2,250,193	590,346	47,633	78,093	19,973	2,986,239	9,737,454	12,723,693	6,660,053
Colorado	351,945	87,260	4,448	11,900	6,098	461,651	1,232,281	1,693,932	842,834
Connecticut	238,158	246,132	4,593	8,709	3,384	500,976	967,737	1,468,712	661,896
Delaware	99,617	14,908	1,572	4,054	1,798	121,948	278,080	400,028	190,196
Dist. of Col.	32,376	66,924	1,572	4,054	1,798	106,723	122,520	229,243	83,799
Florida	1,115,065	88,692	19,037	35,925	10,045	1,268,765	4,951,388	6,220,152	3,386,563
Georgia	866,598	35,937	6,099	20,679	13,966	943,279	3,733,016	4,676,295	2,553,243
Hawaii	136,974	76,570	1,572	4,054	1,591	220,760	252,720	473,481	172,851
Idaho	174,330	14,759	1,572	5,319	3,238	199,217	524,796	724,013	358,941
Illinois	978,818	241,379	15,859	33,564	17,563	1,287,183	3,541,155	4,828,338	2,422,017
Indiana	674,822	45,299	5,036	17,576	11,887	754,620	2,576,814	3,331,434	1,762,444
Iowa	357,717	36,572	1,763	12,088	7,495	415,635	1,110,860	1,526,495	759,787
Kansas	354,740	38,068	1,905	12,410	7,337	414,460	1,105,960	1,520,420	756,435
Kentucky	428,918	28,917	2,388	12,245	7,808	480,276	1,844,188	2,324,463	1,261,355
Louisiana	402,688	159,372	4,167	12,857	7,114	586,197	1,691,938	2,278,135	1,157,222
Maine	111,700	14,759	1,572	4,054	1,229	133,313	502,926	636,239	343,982
Maryland	357,713	61,630	6,699	12,661	6,292	444,995	1,620,640	2,065,635	1,108,456
Massachusetts	396,776	498,005	8,848	15,605	5,859	925,092	1,791,087	2,716,179	1,225,036
Michigan	776,718	157,163	10,872	27,586	13,816	986,155	3,388,129	4,374,284	2,317,353
Minnesota	479,077	36,456	4,435	16,705	9,361	546,035	1,367,568	1,913,603	935,365
Mississippi	313,817	53,911	1,572	9,647	5,045	383,992	1,270,451	1,654,443	868,940
Missouri	614,955	103,029	5,205	18,056	11,170	752,416	2,477,485	3,229,901	1,694,507
Montana	236,591	47,228	1,572	5,319	3,296	294,005	456,519	750,524	312,242
Nebraska	252,994	36,878	1,572	8,294	5,339	305,077	768,297	1,073,373	525,486
Nevada	169,989	14,759	1,704	5,041	2,876	194,369	613,603	807,971	419,681
New Hampshire	119,541	14,908	1,572	4,054	1,798	141,872	396,705	538,577	271,331
New Jersey	524,905	339,132	12,400	19,858	8,723	905,018	2,525,155	3,430,173	1,727,111
New Mexico	261,496	14,759	1,572	6,585	3,820	288,231	826,711	1,114,942	565,439
New York	996,959	590,346	26,403	47,665	18,969	1,680,342	4,210,985	5,891,327	2,880,155
North Carolina	690,788	64,294	4,700	20,313	12,197	792,293	3,021,949	3,814,242	2,066,899
North Dakota	156,897	14,759	1,572	5,801	3,767	182,796	342,139	524,935	234,010
Ohio	986,627	204,993	12,451	31,066	17,478	1,252,615	3,661,780	4,914,395	2,504,620
Oklahoma	446,783	61,792	2,533	12,942	8,010	532,059	1,614,137	2,146,196	1,104,009
Oregon	331,989	71,953	2,656	10,815	5,835	423,248	1,249,606	1,672,853	854,683
Pennsylvania	960,171	596,309	13,481	33,689	18,259	1,621,911	3,986,781	5,608,692	2,726,809
Rhode Island	136,974	40,122	1,572	4,054	1,798	184,519	267,043	451,562	182,647
South Carolina	378,882	19,200	2,669	11,348	6,739	418,838	1,696,300	2,115,138	1,160,206
South Dakota	174,330	14,759	1,572	5,763	824	197,248	341,538	538,787	233,599
Tennessee	578,929	63,770	4,149	15,659	8,758	671,264	2,409,305	3,080,569	1,647,874
Texas	1,931,465	258,403	21,271	54,441	19,694	2,285,274	7,355,485	9,640,758	5,030,875
Utah	212,657	53,758	2,468	6,067	3,670	278,620	818,161	1,096,782	559,592
Vermont	107,089	17,150	1,572	4,054	1,798	131,662	280,286	411,948	191,705
Virginia	607,003	124,143	7,163	17,909	10,319	766,537	2,738,182	3,504,719	1,872,813
Washington	472,135	160,594	6,013	15,343	7,944	662,029	1,890,185	2,552,215	1,292,816
West Virginia	168,784	127,542	1,572	5,938	3,438	307,274	772,947	1,080,222	528,667
Wisconsin	529,331	48,454	4,610	16,977	10,457	609,830	1,934,207	2,544,036	1,322,925
Wyoming	164,369	14,759	1,572	4,054	2,026	186,779	437,838	624,617	299,464
Puerto Rico	153,966	25,702	3,975	8,961	1,798	194,401	0	194,401	0
Total Apportioned	24,904,341	5,930,929	314,333	798,603	385,890	32,334,096	96,100,000	128,434,096	65,728,786
Nonapportioned	1,495,659	327,071	-314,333	276,398		4,781,904			
Total Program	26,400,000	6,258,000	0	1,075,000	450,000	37,116,000			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

General Notes:

Our estimates assume that all obligations made prior to FY 1998 for both highway and transit programs that are to be paid from the Highway Trust Fund and that are unpaid at the start of FY 1998 will be paid as they come due. We do not assume that unobligated balances remaining as of the end of FY 1997 will be spent. All authorizations for the Core Program under TEA-2 for FY 1998-2002 are fully obligated. Federal fuel excise taxes are collected at their current rates through the transition years of 1998-2001, and any excess taxes, as defined in TEA-2, are distributed to the states as grants with 100-percent payout in the first year. Both Section A and Section B outlays of the Infrastructure Special Assistance Fund (ISAF) are assumed to be grants with 100-percent payout in the first year. Existing Highway Trust Fund balances are not used to finance prior years' obligations or new obligations from the Core Program; rather, those obligations are paid from federal fuel taxes before any grants are made.

Three technical corrections to TEA-2's provisions are incorporated into the estimates to produce the zero budget effect sought by the legislation. First, the Core Program Financing Rate differs from that proposed in TEA-2: The estimates are based on a rate of 5 cents in FY 2000; 4 cents in 2001; 3.5 cents in 2002, 2003, and 2004; and 3 cents thereafter; rather than 4 cents in FY 2000, 3 cents in 2001, and 2 cents thereafter. Second, the Highway Trust Fund Financing Rate in our estimates is 3.5 cents in FY 2002, 2003, and 2004, and 3 cents thereafter; in the proposed TEA-2, the Highway Trust Fund Financing Rate is 2 cents in 2002 and remains at that level. Finally, the ISAF Section B outlay estimates are net of transfers to the Aquatic Resources Trust Fund and the Land and Water Conservation Fund. The revenue and outlay estimates are based on the Congressional Budget Office's January 1997 baseline budget forecast.

Specific Notes by Column Number:

- (1) **Interstate Maintenance** numbers are net of the administrative deduction of 3.75 percent and of the 1-percent deduction for metropolitan planning. In addition, 1 percent of the remainder is set aside for the Virgin Islands, Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.
- (2) **Interstate Bridge** numbers are net of the administrative deduction of 3.75 percent and of the 1-percent deduction for metropolitan planning. In addition, for states with Indian reservations, 1 percent of each state's apportionment is set aside for allocation to Indian reservation bridges.
- (3) **Metropolitan Planning** numbers are apportionments of the 1-percent deductions from the Interstate Maintenance and Interstate Bridge programs.

ENCLOSURE I

ENCLOSURE I

(4) **Safety 402/403** combines both Section 402 Highway Safety Programs and Section 403 Highway Safety Research and Development. Section 402 is apportioned after a discretionary deduction based on current law (as provided by FHWA). Section 403 funds are not apportioned; they are all in the nonapportioned line of column 4.

(5) **Motor Carrier Safety Grants** are net of discretionary deductions based on current law (as provided by FHWA).

(6) **Subtotal** is the **Core Program** total that sums columns 1 through 5. The "Nonapportioned" and "Total Program" numbers in column 6 include \$2.933 billion for federal lands and emergency relief funding not shown elsewhere; therefore, the values in column 6 for these rows are greater than the sums of columns 1 through 5 by that amount.

(7) **Potential State Obligations** are the obligations that could be financed by the estimated state funds in column 9. The allocation of these potential obligations to the states is based on each state's proportion of total estimated state funds in each year.

(8) **Total** is the sum of columns 6 and 7. Total estimated obligation authority is based on apportioned funds only; it does not include nonapportioned programs, such as Federal Lands, Emergency Relief, Section 403, and the Core Program discretionary set-asides, nor does it include the administrative deduction for FHWA expenses.

(9) **Estimated Funds Available to the States** are the sum in each year, for FY 1998 through FY 2001, of (1) any ISAF grants (both Section A and Section B) and (2) any excess federal tax receipts that might be distributed to the states. For FY 2002 and beyond, Estimated State Funds are the sum in each year of (1) any ISAF Section B grants and (2) increased state fuel taxes or other dedicated state funds equal to the federal tax cut in FY 2002. The \$1 billion in ISAF Section A grants is assumed to be fully expended by FY 2001. All states are assumed to increase their highway funding, either through a tax increase or dedication of other funds, equal to the cut in the federal fuel taxes in FY 2002.

ESTIMATED FEDERAL REVENUES AND OUTLAYS AND FUNDS AVAILABLE FOR STATE OBLIGATIONS

(Millions of Dollars)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Highway Trust Fund (HTF) Revenue Categories										
HTF Financing Rate Tax Revenue	21,567	21,946	22,328	22,714	5,674	5,770	5,866	5,111	5,196	5,282
HTF Motorboat and Small Engine Tax Revenue	217	221	224	228	57	58	59	51	52	53
Core Program Financing Rate Tax Revenue	17,450	10,794	7,840	6,378	5,674	5,770	5,866	5,111	5,196	5,282
Truck Tax Revenue--Use, Trailers, Tires	3,344	3,404	3,465	3,526	3,589	3,651	3,715	3,779	3,844	3,909
HTF Outlays										
Unpaid Prior Years' Obligations--Highway	16,995	6,924	3,760	2,581	1,961	1,336	918	504	282	267
Unpaid Prior Years' Obligations--Transit	1,706	1,214	775	465	206	152	95	0	0	0
Core Programs	1,183	4,903	6,092	6,591	6,958	7,345	7,709	8,080	8,388	8,623
ISAF--Section A	911	89	0	0	0	0	0	0	0	0
ISAF--Section B	0	1,068	677	267	81	530	800	254	318	248
Excess Tax Receipts Distribution	3,900	10,931	14,264	16,108						
Transfers to Aquatic Resources Trust Fund	217	221	224	228	57	58	59	51	52	53
Total Outlays	24,911	25,350	25,793	26,240	9,263	9,421	9,581	8,890	9,040	9,191
Budget Effect										
Federal Fuel Taxes	21,567	21,946	22,328	22,714	5,674	5,770	5,866	5,111	5,196	5,282
Plus Truck Taxes	3,344	3,404	3,465	3,526	3,589	3,651	3,715	3,779	3,844	3,909
Total Tax Receipts	24,911	25,350	25,793	26,240	9,263	9,421	9,581	8,890	9,040	9,191
Less Total Outlays	24,911	25,350	25,793	26,240	9,263	9,421	9,581	8,890	9,040	9,191
Budget Effect	0	0	0	0	0	0	0	0	0	0
Financing Rates (Cents per Gallon)										
Core Program Financing Rate--All Fuels	12	7	5	4	3.5	3.5	3.5	3	3	3
Highway Trust Fund Financing Rate [Diesel/Gasoline/Other Fuels (Average)]	20/14/7	20/14/7	20/14/7	20/14/7	3.5	3.5	3.5	3	3	3

Core Program Authorizations from TEA-2 for 1998-2002 and Projected Authorizations for 2003-2007 Based on a 2.8% Growth Rate

(Millions of Dollars)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Core Program										
Interstate Maintenance	5,000	5,100	5,300	5,400	5,600	5,757	5,918	6,084	6,254	6,429
Interstate Bridge	1,183	1,217	1,251	1,286	1,321	1,358	1,398	1,435	1,475	1,517
Federal Lands	460	473	486	500	514	528	543	558	574	590
Highway Safety--Sec. 402	171	171	171	171	171	176	181	186	191	196
Highway Safety R&D--Sec. 403	44	44	44	44	44	45	46	48	49	51
Motor Carrier Safety State Grants	90	90	90	90	90	93	95	98	101	103
Emergency Relief Funding	100	100	100	100	100	103	106	109	112	115
Total	7,048	7,195	7,442	7,591	7,840	8,060	8,285	8,517	8,756	9,001

Core Program Outlays Based on TEA-2 Authorizations for 1998-2002 and Projected Authorizations for 2003-2007 Based on a 2.8% Growth Rate

Year	Obligations	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1998	7,048	1,183	3,696	1,071	321	203	182	156	155	82	0
1999	7,195	0	1,207	3,773	1,093	328	207	186	159	158	83
2000	7,442	0	0	1,249	3,903	1,130	339	214	192	164	164
2001	7,591	0	0	0	1,274	3,981	1,153	346	219	196	168
2002	7,840	0	0	0	0	1,316	4,111	1,191	358	226	202
2003	8,060	0	0	0	0	0	1,352	4,226	1,224	368	232
2004	8,285	0	0	0	0	0	0	1,390	4,345	1,259	378
2005	8,517	0	0	0	0	0	0	0	1,429	4,466	1,294
2006	8,756	0	0	0	0	0	0	0	0	1,469	4,591
2007	9,001	0	0	0	0	0	0	0	0	0	1,510
Total Outlays	1,183	4,903	6,092	6,591	6,958	7,345	7,709	8,080	8,388	8,623	

POTENTIAL STATE OBLIGATIONS

Estimated Maximum State Obligation Capacity From Federal Grants and From State Funds Equivalent to the Federal Excise Tax Reduction (Dollars in Millions)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
State Funds (Federal Tax Reduction)					17,433	17,731	18,032	19,193	19,518	19,850
ISAF--Section A	911	89	0	0	0					
ISAF--Section B	0	1,068	677	267	81	530	800	254	318	248
Distribution of Excess Federal Taxes	3,900	10,931	14,264	16,108						
Total Funds Available to the States	4,811	12,088	14,941	16,375	17,514	18,261	18,832	19,447	19,836	20,098
Potential State Obligations	19,100	19,150	19,250	19,250	19,350	19,500	19,750	19,750	20,250	20,500
Core Program Obligations	7,048	7,195	7,442	7,591	7,840	8,060	8,285	8,517	8,756	9,001
Total Estimated Obligations for TEA-2	26,148	26,345	26,692	26,841	27,190	27,560	28,035	28,267	29,006	29,501

Year	State Funds	Obligations	Outlays 1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
1998	4,811	19,100	3,205	10,016	2,901	871	550	493	422	420	222	0
1999	12,088	19,150		3,213	10,042	2,909	873	552	494	423	421	222
2000	14,941	19,250			3,230	10,095	2,924	878	554	497	425	424
2001	16,375	19,250				3,230	10,095	2,924	878	554	497	425
2002	17,514	19,350					3,247	10,147	2,939	882	557	499
2003	18,261	19,500						3,272	10,226	2,962	889	562
2004	18,832	19,750							3,314	10,357	3,000	901
2005	19,447	19,750								3,314	10,357	3,000
2006	19,836	20,250									3,398	10,619
2007	20,098	20,500										3,440
Total Outlays			3,205	13,229	16,174	17,105	17,689	18,265	18,827	19,410	19,766	20,092
State Funds	4,811		4,811	12,088	14,941	16,375	17,514	18,261	18,832	19,447	19,836	20,098
Less Total Outlays			3,205	13,229	16,174	17,105	17,689	18,265	18,827	19,410	19,766	20,092
Net Income			1,606	-1,142	-1,232	-729	-175	-4	4	37	70	6
Starting Balance			0	1,808	1,125	395	175	5	2	6	45	120
Plus Net Income			1,606	-1,142	-1,232	-729	-175	-4	4	37	70	6
Plus Interest			202	459	503	510	5	0	0	2	5	8
Ending Balance			1,808	1,125	395	175	5	2	6	45	120	134

	1998	1999	2000	2001	2002	2003	TOTALS		
							1998-2001	1998-2002	1998-2007
State Funds	4,811	12,088	14,941	16,375	17,514	18,261	48,215	65,729	162,203
Obligations	19,100	19,150	19,250	19,250	19,350	19,500	76,750	96,100	195,850
% Obligations>Funds	297%	58%	29%	18%	10%	7%	59%	46%	21%

Interest Rate on Federal Trust Fund Balances 0.0630 0.0630 0.0630 0.0620 0.0620 0.0620 0.0620 0.0620 0.0620 0.0620 0.0620

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